

International Business News

Inflation in Asia to rise, may endanger growth: ADB

AFP, Kuala Lumpur

Inflation in Asia will hit 5.1 percent in 2008 due to surging food and fuel prices and could threaten economic growth in the region, the Asian Development Bank warned Sunday.

"Our projection for inflation for Asia for 2008 is 5.1 percent which is already a 10-year high," Rajat M. Nag, managing director general of ADB told reporters at a two-day World Economic Forum on East Asia here.

"This was a projection we did in April. We are revising our projections. My feeling is the projections will go even higher," he added.

Rajat said Asian monetary and fiscal authorities should "recognise inflation as a very major concern" and hinted that they should raise interest rates.

Inflation "can endanger growth in Asia," he said, adding that "central banks should take all steps, including looking at rates as what India has done quite appropriately."

India's central bank on Wednesday raised a key short-term borrowing rate by a quarter percentage point to 8.0 percent to battle inflation that analysts say may be headed to double-digit levels.

Rajat said if Asian economies "do not temper the inflationary rate which is quite high, you actually will compromise growth. So it is precisely to sustain the prosperity of Asia that we need to focus on inflation," he said.

US, China set for talks to address economic concerns

AFP, Washington

With their economies in crisis, top policy makers from the United States and China hold talks this week in a bid to ease currency concerns, counter protectionist pressures and boost energy security.

The cabinet-level talks led by US Treasury Secretary Henry Paulson and Chinese Vice Premier Wang Qishan take place as the world's richest and most rapidly growing economies grapple with rocketing oil and food prices, higher inflation and financial market instability.

The two-day "strategic economic dialogue" will begin Tuesday at the Naval Academy in Annapolis, east of Washington.

This is the first time ex-banker Wang, who took over in March from the long-serving Wu Yi as point person for managing complex US-China ties, is attending the twice-yearly dialogue, launched by US President George W. Bush and Chinese leader Hu Jintao in 2006.

"It is clear that our strategy for robust engagement with China -- intensive dialogue but with resort to World Trade Organization dispute settlement and WTO-sanctioned trade remedies if needed -- is more productive than protectionist policies or legislation," Paulson said ahead of the talks.



Railway buffs try to take pictures of new subway "Fukutoshin Line" in Tokyo on June 14, 2008. Tokyo opened its first new subway rail line in seven years, connecting some of the Japanese capital's busiest areas in hopes of alleviating rush-hour congestion and stimulating the economy.

UN chief, Saudis agree on need to tackle rising oil, food prices

AFP, Jeddah

UN chief Ban Ki-moon and Saudi King Abdullah reached common ground here Saturday on the need to tackle rising prices of oil and food, and the problem of climate change, a UN spokesman said.

The UN secretary general flew into this Red Sea city earlier Saturday for a 24-hour visit and met with the king for one hour after being welcomed by Saudi Foreign Minister Saud al-Faisal.

Farhan Haq, a member of Ban's delegation, described the discussions as "very positive."

One of the main issues raised was "the related crisis involving rising food costs, rising fuel costs and climate change," he said.

The two leaders agreed that the three issues "should be dealt with comprehensively," he added.

He restated Ban's view that "rising fuels costs can contribute also further to rising food costs."

Sri Lanka raises new debt despite warnings

AFP, Colombo

Sri Lanka on Saturday sought investors to buy 200 million dollars worth of bonds despite warnings from credit rating agencies and international lenders that the island is depending too much on debt.

The latest debt-raising move comes as Sri Lanka, locked in a long-running ethnic conflict with separatist Tamil Tiger rebels since 1972, has been on an overseas borrow spree to pay for development projects.

The new securities, known as Sri Lanka Development Bonds, will be offered in maturities ranging from two to five years to local and foreign investors, the central bank said.

Proceeds from the offer will be used to develop health, road, airport, education and energy projects, the bank said in a statement.

Sri Lanka has poured a record 1.5 billion dollars into the war effort this year, hoping for a quick end to the conflict that has left tens of thousands of people dead.

ANALYSIS

Is Wal-Mart too liberal?

DANIEL MCGINN

For investors, most annual meetings are anything but a hot ticket. They're typically held in small auditoriums and feature an agenda that makes C-Span look like an action thriller. Then there's Wal-Mart, the Arkansas-based retailer whose shareholder meetings are celebrity-packed, high-wattage showcases. Last year's gathering featured the comedian Sinbad and musical numbers by Jennifer Lopez and the cast of "High School Musical." But amid these surprise performances, the most unexpected moment came when shareholder activists were each given three minutes at the podium. Most offered run-of-the-mill liberal criticisms that hit every large company: a Roman Catholic nun urged Wal-Mart to support universal health insurance; several speakers suggested the company rein in executives' huge paychecks. But from the other end of the spectrum came Peter Flaherty, lambasting Wal-Mart for being too nice to unions, too concerned about the environment and too accommodating to gays and lesbians. "People shop at Wal-Mart because of low prices, not because the company is politically correct," Flaherty shouted at the crowd.

Come again? With its deep roots in Red State America and a reputation for upholding "family values," Wal-Mart seems an unlikely target for conservative criticism. It's the company that banned sales of CDs with offensive lyrics, refused to stock racy magazines like Maxim and declined (until 2006) to sell the Plan B emergency contraceptive pill. But in recent years, as it faced growing pressure from liberal activists, Wal-Mart has begun to make changes. It began offering more-robust health-insurance coverage to work-

ers. Its CEO voiced support for raising the minimum wage. It has launched an ambitious environmental program. As a result, while Wal-Mart continues to face criticism from liberal groups, it's now simultaneously being criticised by some conservatives, who say the company's concessions to liberals are hurting its business. "This is kind of a guerilla fight," says Flaherty, who heads a tiny right-wing think tank called the National Legal and Policy Center (NLPC), which holds just a few thousand dollars in Wal-Mart stock.

Shareholder activism has been around since the 1940s, when the SEC first began letting investors file resolutions. At first, most shareholders focused on bottom-line issues, but in the late 1960s, Vietnam War protesters began filing resolutions against companies that provided materials (including napalm) for the war. By the 1980s, activists had become a fixture at annual meetings, speaking out on issues like companies' investments in South Africa or the use of sweatshop labor. While conservative pro-life groups have occasionally filed proxy resolutions, says researcher Beth Young of the Corporate Library, shareholder activism has been dominated by liberal interests.

Now that's changing. Flaherty, a former grass-roots organizer for Ronald Reagan, argues that conservatives have been slow to recognize that today it's corporations, not government, that drive many big social changes. That's been true recently on issues like gay rights, health-care costs and the environment. So since 2006, Flaherty and the five-person staff at NLPC have been filing proposals and attending annual meetings. So far this spring, they've spoken at the shareholder meetings of

General Electric, Boeing and Anheuser-Busch; next week they're at United Airlines. And they're not alone: the right-leaning Free Enterprise Action Fund (FEAF), a tiny libertarian mutual fund, filed resolutions with 20 companies this spring, including Wal-Mart. Most of the FEAF resolutions argue that companies should be more skeptical and resistant as environmentalists push them to reduce their carbon footprint. Some investors apparently agree: at last week's ExxonMobil meeting, where a group of Rockefeller heirs unsuccessfully urged the company to broaden its focus on renewable energy, a speech by FEAF manager Steve Milloy received loud applause.

Environmental issues are at the heart of Flaherty's complaints about Wal-Mart, too. In a 46-page report the NLPC will release this month, staffer John Carlisle writes that Wal-Mart customers aren't buying many of the organic products it's begun stocking; that the energy-efficient compact fluorescent light bulbs it's been touting aren't really good for the environment (because they contain mercury), and that its support for legislation to cap carbon emissions will only hurt consumers and its bottom line. (Wal-Mart responds that its environmental initiatives "are not only good for the environment they are good for our business, too.") The NLPC says Wal-Mart is naive to think incremental compromises will ever really placate liberal critics. "The more Wal-Mart tries to appease the Left, the more the Left demands," the report concludes.

While most corporations look on them as gadflies, shareholder activists occasionally do bring about change. Many US companies divested South African holdings under pressure in the



A view of a Wal-Mart store

1980s, for instance. But most shareholder resolutions garner very few votes, and Flaherty's group is getting limited traction so far; its resolution against Wal-Mart didn't get enough votes last year, so it lost its spot on the agenda at Wal-Mart's 2008 meeting, which takes place this week.

Some observers think political discussions don't belong at annual meetings in the first place. "The corporate ballot box is not the best place to have debates on broader social topics," says Charles Elson, a University of Delaware governance expert. But as long as businesses grapple with fast-

rising health-care costs, the growing concern over the environment and other hot-button political issues, corporate meetings will likely see more strange bedfellows indeed.

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COLUMN

MAMUN RASHID

Bangladesh growth potential re-affirmed at Harvard

Bangladesh stands out among developing nations, courtesy of a few positive aspects that clearly differentiates it from other nations in similar phases of economic development. Its substantial human resources, cheap labour, diverse foreign investment opportunities, the prospect of doubling foreign remittances, its proactive civil society and many achievements of its vast network of NGOs, and a rapidly expanding private sector, make it clear that Bangladesh has the potential for an extremely bright future.

Among its many peers, Bangladesh is perhaps unique with its 'society centric' nature. These were reiterated by two of Bangladesh's ambassadors to the United States, one present and one former, Ambassador Humayun Kabir and Ambassador Farooq Sobhan, at the two-day long first ever Bangladeshi conference at perhaps the most prominent seat of higher learning - Harvard University.

Ambassador Kabir, unlike many of our 'too articulate' envoys was focused on saying, "In Bangladesh, we are currently passing through a complex process of rediscovering our soul, and in the process, reinventing our identity as a modern and moderate nation.



Lt. General (Retd) Hasan Mashud Chowdhury, chairman of Anti-Corruption Commission, leads an anti-corruption procession in Chittagong on March 15.

Two interlocking priorities are now defining our future. One is the effort to strengthen democracy and the other is to create and maintain decent economic opportunities for our people in an environment of peace and harmony. While our egalitarian social structure represents the solid foundation for democracy in Bangladesh, there is clear consensus that only democratic governance may lift Bangladesh to a middle income country."

He added, "The logic is simple. Being a society centric nation with incredible entrepreneurial ability of individuals, only all-inclusive and participatory democracy at all levels can effectively channel the enormous energy, creativity and dynamism of the common people towards good governance and true development."

Another speaker, Syed Saad Andaleeb, who teaches marketing at Pennsylvania University, also emphasized

the need for good governance. In marketing parlance, where customer satisfaction and loyalty get prime billing, it is said that marketing is not the job of the marketing department alone; everyone in the organization must work to deliver customer satisfaction. In nation building similarly everyone must play their part; school teachers and professors must work seriously everyday to nurture the nation's talent, doctors must not be caught moonlighting, judges must

deliver justice, policeman must maintain law and order, companies and individuals must pay their taxes. If everyone plays by the rules of society, doing what they are supposed to do instead of looking over their shoulders to check on others, we will have made immediate and enormous progress."

His colleague from Columbia, Dr. Rounaq Jahan echoed the same tone "If we are always appraised by our students every year on our teaching quality, our politicians possibly deserve it more and they should take it in good spirit and make corrective measures."

Other speakers like the former chief tax collector, Dr. Mashur Rahman, and the editor of Prothom Alo, Matir Rahman, both agreed that rights to dissent and opposition are the basic preambles of democracy and intellectually and morally inspired political leadership can only take us forward to the next trajectory of growth.

Bangladeshi scholars from Bangladesh, North America, Australia and Europe, all agreed that Bangladesh has a bright future, provided the people 'who matter' come forward with a 'few immediate fixes', clear all bottle-

necks towards wealth creation and ensure distribution through better governance and an accountable political regime.

However this is not something new that we didn't know. What's new is Bangladesh is coming onto the radar of the 'biggies'. The 'biggies' are getting increasingly engaged in the possible future of Bangladesh. The resilience of Bangladesh and its success despite numerous adversities, has shown them that the country has a future, perhaps even a bright one, emanating from a tolerant society, disciplined and young workforce, people ready to sacrifice democracy for the time being to restore democracy in its true form and a 'no bullshit' entrepreneur class truly focused on wealth creation and able to make best use of the resources available. In January this year, Bangladeshi executives working for the Wall Street corporations highlighted this and now the Harvard conference on the 13th and 14th June only re-affirmed that Bangladesh truly has a bright future, provided we play the game well.

The writer is a banker and economic analyst. This article was prepared with the assistance of Mahmood Akhter working with a Harvard affiliate.